

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

HARTLAND TOWNSHIP

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED MARCH 31, 2006

HARTLAND TOWNSHIP

TOWNSHIP OFFICIALS

Supervisor - Donald Rhodes
Clerk - Ann Ulrich
Treasurer - Kathleen Horning

TOWNSHIP BOARD

Joseph Colainne
Kathleen Horning
Bill Fountain
Larry Hopkins
Donald Rhodes
Ann Ulrich
Joseph Petrucci

TOWNSHIP ATTORNEY

Foster, Swift, Collins & Smith, P.C.

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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July 8, 2006

Board of Trustees
Hartland Township
3191 Hartland Road
Hartland, Michigan 48029

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hartland Township, as of and for the year ended March 31, 2006, which collectively comprise the Hartland Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hartland Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hartland Township, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 31, 2006.

The Management's Discussion and Analysis and other required supplementary information on pages 8 through 13 and 46 through 47 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hartland Township's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining and individual fund statements, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis

March 31, 2006

Within this section of Hartland Township's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Both government-wide financial statements distinguish governmental activities of the Township that are principally supported by taxes and revenue sharing, and from the business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include such activities as general government, public safety, and planning and zoning departments. Business-type activities include water & sewer system operations. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has three kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of available resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Proprietary funds are reported in the fund financial statements and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and statements for individual fund activity are presented in a subsequent section of this report.

The Township as a Whole - Government-Wide Financial Analysis

The Township's net assets at the end of the fiscal year was \$32,248,649. This is an \$1,566,308 increase over last year's net assets of \$30,714,486 before a \$32,145 prior period adjustment.

The following tables provide a summary of the Township's financial activities and changes in net assets:

Summary of Net Assets

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	3/31/06	3/31/05	3/31/06	3/31/05	3/31/06	3/31/05
Current and other assets	\$ 5,834,103	\$ 5,322,671	\$ 38,955,620	\$ 21,441,929	\$ 44,789,723	\$ 26,764,600
Capital assets	3,279,132	3,331,301	19,583,670	20,062,901	22,862,802	23,394,202
Total assets	9,113,235	8,653,972	58,539,290	41,504,830	67,652,525	50,158,802
Other liabilities	209,587	183,886	216,375	287,920	425,962	471,806
Long-term liabilities	1,277,473	1,373,549	33,700,441	17,598,961	34,977,914	18,972,510
Total liabilities	1,487,060	1,557,435	33,916,816	17,886,881	35,403,876	19,444,316
Net assets						
Invested in capital assets						
net of related debt	2,054,157	2,017,192	7,583,229	2,463,940	9,637,386	4,481,132
Unrestricted	5,572,018	5,079,345	17,039,245	21,154,009	22,611,263	26,233,354
Total net assets	\$ 7,626,175	\$ 7,096,537	\$ 24,622,474	\$ 23,617,949	\$ 32,248,649	\$ 30,714,486

Summary of Changes in Net Assets

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	3/31/06	3/31/05	3/31/06	3/31/05	3/31/06	3/31/05
REVENUES						
Program revenues						
Charges for services	\$ 289,027	\$ 231,009	\$ 833,746	\$ 724,005	\$ 1,122,773	\$ 955,014
Operating contributions	67,804				67,804	
Capital contributions			12,928,368	128,000	12,928,368	128,000
General revenues						
State shared revenues	761,356	725,028			761,356	725,028
Property taxes	1,617,148	1,514,313			1,617,148	1,514,313
Interest income	178,286	76,961	968,283	672,912	1,146,569	749,873
Transfers	100,000		(100,000)			
Other	134,358	130,563	43,950	50,028	178,308	180,591
Total revenues	3,147,979	2,677,874	14,674,347	1,574,945	17,822,326	4,252,819
EXPENSES						
General government	1,248,352	1,315,683			1,248,352	1,315,683
Public safety	1,076,406	918,095			1,076,406	918,095
Parks and recreation	19,568	7,160			19,568	7,160
Public works	140,169	213,855			140,169	213,855
Community development	20,227				20,227	
Cemetery	19,062	19,421			19,062	19,421
Interest on governmental long-term debt	62,412	66,661			62,412	66,661
Water system			764,907	884,454	764,907	884,454
Sewer system			12,904,915	2,728,251	12,904,915	2,728,251
Total expenses	2,586,196	2,540,875	13,669,822	3,612,705	16,256,018	6,153,580
Increase (decrease)	561,783	136,999	1,004,525	(2,037,760)	1,566,308	(1,900,761)
Beginning net assets	7,096,537	6,959,538	23,617,949	25,655,709	30,714,486	32,615,247
Prior period adjustment	(32,145)				(32,145)	
Ending net assets	\$ 7,626,175	\$ 7,096,537	\$ 24,622,474	\$ 23,617,949	\$ 32,248,649	\$ 30,714,486

The overall financial status of the governmental funds improved by an increase of net assets of \$561,783 for the year ended March 31, 2006. The large increase net assets is due to improved economic conditions, an operating donation, and an operating transfer from the business-type funds.

The business-type funds increased its net assets by \$1,004,525 for the year ended March 31, 2006. This increase is primarily due to new assessment districts created for utility expansion.

Financial Analysis of the Township's Funds

The Township has determined it had two major governmental funds for the year ended March 31, 2006. These funds are the General Fund and the Fire Operating Fund.

The General Fund's fund balance increased by \$323,194. This substantial increase from the prior year is primarily due to an operating transfer from the sewer fund for prior fiscal years' rents on Township owned property. Both state shared revenues and property taxes have increased from the prior year due to increased growth in the Township and improved economic conditions.

The other major governmental fund, the Fire Operating Fund, increased \$109,124. This is typical for this fund, but slightly less of an increase than the prior year due to increased member contributions to the Hartland Area Fire Authority and general operating costs.

The Township has determined it had two major business-type funds for the year ended March 31, 2006. These funds included the Water System Fund and the Sewage Disposal System Fund.

The Water System Fund's net assets decreased by \$34,469. This is an improvement from the prior fiscal years' performances due to increased number of users being added to the relatively new system.

The Sewage Disposal System Fund increased its net assets by \$1,038,994 despite having an operating loss of \$12,176,701. The Township assessed \$13,102,100 for new users to be able to hook into the Genesee County treatment system. This assessment is revenue when it is assessed, but the Township spent \$11,983,964 in order to connect to the County's system. This system is not owned by Hartland Township and will be expensed as it is incurred.

General Fund Budgetary Highlights

The General Fund's budget was adopted prior to the start of the fiscal year ended March 31, 2006. However, several amendments were made during the year to bring it closer to economic reality. The General Fund exceeded budgeted appropriations in the Township Board, Supervisor, and Unallocated departments.

Capital Asset and Debt Administration

The Township acquired \$39,260 of new capital assets for its governmental funds. Included in this figure was acquisitions for fire station flooring, ball field improvements, various cable equipment, and preliminary construction costs for a new Township hall.

No new capital assets were purchased for the business-type funds, but there was \$479,231 of depreciation for the existing systems.

The governmental funds issued no new debt during the fiscal year, but did pay \$89,134 of principal to reduce the mortgage on the fire hall to \$1,224,975 at March 31, 2006.

The business-type funds issued \$21,700,000 of new bonds in order to pay back the previously issued bond-anticipation notes and finance the project of hooking into the Genesee County sewage treatment facility. The funds for these bonds are being held at Livingston County to be spent as needed to complete this project. There was \$7,038,558 remaining at the county at March 31, 2006 to complete this task.

Economic Conditions and Future Activities

The Township is continuing the expansion of its sewer system to connect to the Genesee County sewage treatment system. The Township expects this project to be virtually complete by the end of the next fiscal year.

Contacting the Township's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or to request additional information please contact Hartland Township at 3191 Hartland Road, Hartland, Michigan 48029.

BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE
FINANCIAL
STATEMENTS

HARTLAND TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2006

	PRIMARY GOVERNMENT		
	Governmental	Business-	
	Activities	Type	
		Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,285,935	\$ 1,326,550	\$ 6,612,485
Cash and cash equivalents - restricted		7,250,107	7,250,107
Receivables			
Taxes	98,574		98,574
State shared revenues	125,301		125,301
Special assessments		22,845,302	22,845,302
Interest	6,566		6,566
Accounts	20,914	203,499	224,413
Intergovernmental	35,174	1,759	36,933
County construction		7,038,558	7,038,558
Other	261,639		261,639
Inventory		28,882	28,882
Debt issuance costs, net of amortization		260,963	260,963
Capital assets - net of depreciation	<u>3,279,132</u>	<u>19,583,670</u>	<u>22,862,802</u>
Total assets	<u>9,113,235</u>	<u>58,539,290</u>	<u>67,652,525</u>
<u>LIABILITIES</u>			
Accounts payable	178,494	75,027	253,521
Accrued wages/taxes	31,093	938	32,031
Accrued interest payable		140,410	140,410
Compliance reserve	52,498		52,498
Mortgage payable			
Current	93,607		93,607
Non-current	1,131,368		1,131,368
Contracts/bonds payable			
Current		905,000	905,000
Non-current		<u>32,795,441</u>	<u>32,795,441</u>
Total liabilities	<u>1,487,060</u>	<u>33,916,816</u>	<u>35,403,876</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	2,054,157	7,583,229	9,637,386
Unrestricted	<u>5,572,018</u>	<u>17,039,245</u>	<u>22,611,263</u>
Total net assets	<u>\$ 7,626,175</u>	<u>\$ 24,622,474</u>	<u>\$ 32,248,649</u>

The accompanying notes are an integral part of these financial statements

HARTLAND TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Programs Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions</u>	<u>Capital Contributions</u>
Governmental activities				
General government	\$ (1,248,352)	\$ 286,620	\$ 67,804	\$
Parks and recreation	(19,568)			
Police protection	(114,111)			
Fire protection	(962,295)			
Cemetery	(19,062)	2,407		
Community development	(20,227)			
Public works	(51,127)			
Road improvements	(89,042)			
Interest on long-term debt	(62,412)			
Total governmental activities	<u>(2,586,196)</u>	<u>289,027</u>	<u>67,804</u>	
Business-type activities				
Water system	(764,907)	286,468		
Sewer system	<u>(12,904,915)</u>	<u>547,278</u>		<u>12,928,368</u>
Total business-type activities	<u>(13,669,822)</u>	<u>833,746</u>		<u>12,928,368</u>
Total	<u>\$ (16,256,018)</u>	<u>\$ 1,122,773</u>	<u>\$ 67,804</u>	<u>\$12,928,368</u>

General revenues
Property taxes
State shared revenues
Interest income
Franchise fees
Rental income
Other income
Transfers

 Total general revenues and transfers

 Changes in net assets

Net assets, April 1, 2005

Prior period adjustment

Net assets, March 31, 2006

The accompanying notes are an integral part of these financial statements

Net (Expenses) Revenue and Changes		
Net Assets		
Governmental	Business-	
Activities	type	Total
Activities	Activities	
\$ (893,928)	\$	\$ (893,928)
(19,568)		(19,568)
(114,111)		(114,111)
(962,295)		(962,295)
(16,655)		(16,655)
(20,227)		(20,227)
(51,127)		(51,127)
(89,042)		(89,042)
(62,412)		(62,412)
(2,229,365)		(2,229,365)
	(478,439)	(478,439)
	570,731	570,731
	92,292	92,292
1,617,148		1,617,148
761,356		761,356
178,286	968,283	1,146,569
85,484		85,484
24,000	43,950	67,950
24,874		24,874
100,000	(100,000)	
2,791,148	912,233	3,703,381
561,783	1,004,525	1,566,308
7,096,537	23,617,949	30,714,486
(32,145)		(32,145)
\$ 7,626,175	\$ 24,622,474	\$ 32,248,649

FUND
FINANCIAL
STATEMENTS

HARTLAND TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	<u>General</u>	<u>Fire Operating</u>	<u>Other Non-major Funds</u>	<u>Total</u>
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents	\$ 1,918,841	\$ 1,219,258	\$ 2,147,836	\$ 5,285,935
Receivables				
Taxes	29,412	69,162		98,574
State shared revenues	125,301			125,301
Accounts			20,914	20,914
Interest		4,594	1,972	6,566
Due from other funds	41,116			41,116
Due from others	<u>11,836</u>	<u>249,803</u>		<u>261,639</u>
Total assets	<u>\$ 2,126,506</u>	<u>\$ 1,542,817</u>	<u>\$ 2,170,722</u>	<u>\$ 5,840,045</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 162,846	\$ 5,137	\$ 10,511	\$ 178,494
Accrued wages and absences	27,653		3,440	31,093
Compliance reserves	52,498			52,498
Due to other funds	<u>5,942</u>			<u>5,942</u>
Total liabilities	<u>248,939</u>	<u>5,137</u>	<u>13,951</u>	<u>268,027</u>
FUND BALANCE				
Reserved				
Public safety		1,537,680	23,923	1,561,603
Public works			126,792	126,792
Unreserved	<u>1,877,567</u>		<u>2,006,056</u>	<u>3,883,623</u>
Total fund balance	<u>1,877,567</u>	<u>1,537,680</u>	<u>2,156,771</u>	<u>5,572,018</u>
Total liabilities and fund balance	<u>\$ 2,126,506</u>	<u>\$ 1,542,817</u>	<u>\$ 2,170,722</u>	<u>\$ 5,840,045</u>

The accompanying notes are an integral part of these financial statements

HARTLAND TOWNSHIP
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
MARCH 31, 2006

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 5,572,018
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Historical cost	\$ 4,149,856	
Depreciation	<u>(870,724)</u>	
Capital assets, net of depreciation		3,279,132
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Mortgage payable		<u>(1,224,975)</u>
Net assets of governmental activities		<u>\$ 7,626,175</u>

The accompanying notes are an integral part of these financial statements

HARTLAND TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	General	Fire Operating	Other Non-major Funds	Total
REVENUES				
Taxes	\$ 482,532	\$ 1,134,616		\$ 1,617,148
Donations			67,804	67,804
Intergovernmental - state	755,057		6,299	761,356
Licenses and permits	24,067			24,067
Rental income	24,000			24,000
Franchise fees			85,484	85,484
Charges for services	262,553		2,407	264,960
Interest	82,220	29,461	66,605	178,286
Miscellaneous	24,288		586	24,874
Total revenues	<u>1,654,717</u>	<u>1,164,077</u>	<u>229,185</u>	<u>3,047,979</u>
EXPENDITURES				
General government	1,114,418		140,653	1,255,071
Parks and recreation	19,568			19,568
Police protection	112,141		1,970	114,111
Fire protection		903,407		903,407
Cemetery			19,062	19,062
Streetlights	12,017			12,017
Road improvements	89,042			89,042
Drains	39,110			39,110
Debt service		151,546		151,546
Community development	20,227			20,227
Total expenditures	<u>1,406,523</u>	<u>1,054,953</u>	<u>161,685</u>	<u>2,623,161</u>
Excess of revenues over (under) expenditures	248,194	109,124	67,500	424,818
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000		25,000	125,000
Transfers (out)	(25,000)			(25,000)
Total other financing sources (uses)	<u>75,000</u>		<u>25,000</u>	<u>100,000</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	323,194	109,124	92,500	524,818
FUND BALANCE, APRIL 1, 2005	1,554,373	1,460,701	2,064,271	5,079,345
PRIOR PERIOD ADJUSTMENT		(32,145)		(32,145)
FUND BALANCE, MARCH 31, 2006	<u>\$ 1,877,567</u>	<u>\$ 1,537,680</u>	<u>\$ 2,156,771</u>	<u>\$ 5,572,018</u>

The accompanying notes are an integral part of these financial statements

HARTLAND TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ 524,818
Governmental funds report capital outlay as expenditures. However, In the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which depreciation exceeded capital outlays is as follows:	
Capital outlay	\$ 39,260
Depreciation expense	<u>(91,429)</u>
Total	(52,169)
Repayment of mortgages payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Repayment of:	
Mortgage payable	<u>89,134</u>
Change in net assets of governmental activities	<u>\$ 561,783</u>

The accompanying notes are an integral part of these financial statements

HARTLAND TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2006

<u>ASSETS</u>	<u>Water System</u>	<u>Sewage Disposal System</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 810,707	\$ 515,843	\$ 1,326,550
Accounts receivable	48,927	154,572	203,499
Due from other funds	3,959		3,959
Inventory	<u>28,882</u>		<u>28,882</u>
Total current assets	<u>892,475</u>	<u>670,415</u>	<u>1,562,890</u>
Restricted Assets			
Cash and cash equivalents	1,291,438	5,958,669	7,250,107
Special assessments receivable	6,622,986	16,222,316	22,845,302
Due from county - construction fund		7,038,558	7,038,558
Debt issuance costs, net	<u>102,480</u>	<u>158,483</u>	<u>260,963</u>
Total restricted assets	<u>8,016,904</u>	<u>29,378,026</u>	<u>37,394,930</u>
Capital Assets			
Land	300,000	1,247,230	1,547,230
Water and sewer systems	<u>9,110,267</u>	<u>12,496,284</u>	<u>21,606,551</u>
	9,410,267	13,743,514	23,153,781
Less accumulated depreciation	<u>(917,938)</u>	<u>(2,652,173)</u>	<u>(3,570,111)</u>
Net capital assets	<u>8,492,329</u>	<u>11,091,341</u>	<u>19,583,670</u>
Total assets	<u>17,401,708</u>	<u>41,139,782</u>	<u>58,541,490</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable/accrued payroll expense	18,436	57,529	75,965
Accrued interest payable	140,410		140,410
Due to other funds		2,200	2,200
Contract payable - current portion		455,000	455,000
Bonds payable - current portion	<u>450,000</u>		<u>450,000</u>
Total current liabilities	<u>608,846</u>	<u>514,729</u>	<u>1,123,575</u>
Long-term Liabilities			
Contracts payable - less current portion		25,870,441	25,870,441
Bonds payable - less current portion	<u>6,925,000</u>		<u>6,925,000</u>
Total long-term liabilities	<u>6,925,000</u>	<u>25,870,441</u>	<u>32,795,441</u>
Total liabilities	<u>7,533,846</u>	<u>26,385,170</u>	<u>33,919,016</u>
<u>NET ASSETS</u>			
Net Assets			
Invested in capital assets, net of related debt	1,117,329	6,465,900	7,583,229
Unrestricted	<u>8,750,533</u>	<u>8,288,712</u>	<u>17,039,245</u>
Total net assets	<u>\$ 9,867,862</u>	<u>\$ 14,754,612</u>	<u>\$ 24,622,474</u>

The accompanying notes are an integral part of these financial statements

HARTLAND TOWNSHIP
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	Water System Fund	Sewage Disposal System Fund	Totals
OPERATING REVENUES			
User charges	\$ 233,588	\$ 547,278	\$ 780,866
Meter sales	44,485		44,485
Reimbursements	<u>8,395</u>		<u>8,395</u>
Total operating revenues	<u>286,468</u>	<u>547,278</u>	<u>833,746</u>
OPERATING EXPENSES			
Expansion projects		11,983,964	11,983,964
Amortization		4,342	4,342
Depreciation	228,209	251,022	479,231
Consulting engineer	105,126	48,264	153,390
Contract services	1,396	313,835	315,231
Meters	38,181		38,181
Legal fees	1,327	2,546	3,873
Assessments/licenses	982	6,263	7,245
Audit fees	3,700	4,500	8,200
Repairs and maintenance	581	46,743	47,324
Supplies and postage	395	2,379	2,774
Miscellaneous	401	960	1,361
Insurance	8,182	27,836	36,018
Wages and payroll taxes	<u>30,737</u>	<u>31,325</u>	<u>62,062</u>
Total operating expenses	<u>419,217</u>	<u>12,723,979</u>	<u>13,143,196</u>
Operating (loss)	<u>(132,749)</u>	<u>(12,176,701)</u>	<u>(12,309,450)</u>
NON-OPERATING REVENUES AND (EXPENSES)			
Interest income - special assessments	396,021	332,502	728,523
Interest income - cash and cash equivalents	47,949	191,811	239,760
Amortization - bond fees	(6,995)	(350)	(7,345)
Rental and other income		43,950	43,950
Interest expense	<u>(338,695)</u>	<u>(180,586)</u>	<u>(519,281)</u>
Total non-operating revenues	<u>98,280</u>	<u>387,327</u>	<u>485,607</u>
Net income (loss) before capital contributions and transfers	<u>(34,469)</u>	<u>(11,789,374)</u>	<u>(11,823,843)</u>
CAPITAL CONTRIBUTIONS			
Special assessments levied		13,102,100	13,102,100
Tap-in fees refunded		<u>(173,732)</u>	<u>(173,732)</u>
Total capital contributions		<u>12,928,368</u>	<u>12,928,368</u>
OPERATING TRANSFERS (OUT)		<u>(100,000)</u>	<u>(100,000)</u>
Net income (loss)	(34,469)	1,038,994	1,004,525
NET ASSETS AT APRIL 1, 2005	<u>9,902,331</u>	<u>13,715,618</u>	<u>23,617,949</u>
NET ASSETS AT MARCH 31, 2006	<u>\$ 9,867,862</u>	<u>\$ 14,754,612</u>	<u>\$ 24,622,474</u>

The accompanying notes are an integral part of these financial statements

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

HARTLAND TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	Water System Fund	Sewage Disposal System Fund	Totals
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash from users	\$ 279,726	\$ 559,732	\$ 839,458
Cash paid to vendors	(183,694)	(19,527,622)	(19,711,316)
Cash paid to employees	(28,249)	(30,849)	(59,098)
Other cash payments	(275)		(275)
Other cash receipts	8,395	43,950	52,345
Cash received from other funds	<u>7,494</u>	<u>2,200</u>	<u>9,694</u>
Net cash from (used in) operating activities	<u>83,397</u>	<u>(18,952,589)</u>	<u>(18,869,192)</u>
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Bonds proceeds		21,700,000	21,700,000
Construction costs reimbursed		517,634	517,634
Special assessment collections	537,645	1,098,080	1,635,725
Interest received on assessments	396,021	332,502	728,523
Repayment of principal on bonds	(450,000)	(5,148,520)	(5,598,520)
Interest paid on bonds	(347,225)	(180,586)	(527,811)
Bond fees paid		(350)	(350)
Bond issuance costs		(162,825)	(162,825)
Operating transfers out		(100,000)	(100,000)
Tap-in fees refunded		<u>(173,732)</u>	<u>(173,732)</u>
Net cash from (used in) capital and related financing activities	<u>136,441</u>	<u>17,882,203</u>	<u>18,018,644</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Interest income	<u>47,949</u>	<u>192,387</u>	<u>240,336</u>
Net increase (decrease) in cash and cash equivalents	267,787	(877,999)	(610,212)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,834,358</u>	<u>7,352,511</u>	<u>9,186,869</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,102,145</u></u>	<u><u>\$ 6,474,512</u></u>	<u><u>\$ 8,576,657</u></u>

HARTLAND TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - continued
FOR THE YEAR ENDED MARCH 31, 2006

	Water System Fund	Sewage Disposal System Fund	Totals
RECONCILIATION OF OPERATING (LOSS) TO NET CASH FROM (USED IN) OPERATING ACTIVITIES			
Operating (loss)	\$ (132,749)	\$ (12,176,701)	\$ (12,309,450)
Adjustments to reconcile operating (loss) to net cash from (used in) operating activities			
Depreciation/amortization	228,209	255,364	483,573
Rental income		43,950	43,950
Other expenses	(275)		(275)
Changes in assets and liabilities:			
Decrease in accounts receivable	1,653	12,454	14,107
(Increase) in due from other funds	(3,959)		(3,959)
Decrease in inventory	2,235		2,235
(Decrease) in accounts payable/accrued expenses	(4,223)	(51,298)	(55,521)
(Increase) in due from county construction funds		(7,038,558)	(7,038,558)
(Decrease) increase in due to other funds	(7,494)	2,200	(5,294)
Total adjustments	216,146	(6,775,888)	(6,559,742)
Net cash from (used in) operating activities	\$ 83,397	\$ (18,952,589)	\$ (18,869,192)

HARTLAND TOWNSHIP
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
MARCH 31, 2006

	<u>Current Tax Collection</u>	<u>Trust and Agency</u>	<u>Totals</u>
ASSETS			
Cash	\$ 34,897	\$ 148,407	\$ 183,304
Due from other funds		3,942	3,942
Due from others	<u>5,780</u>	<u> </u>	<u>5,780</u>
Total assets	<u>\$ 40,677</u>	<u>\$ 152,349</u>	<u>\$ 193,026</u>
LIABILITIES			
Due to other funds	\$ 40,670	\$ 205	\$ 40,875
Deposits	<u>7</u>	<u>152,144</u>	<u>152,151</u>
Total liabilities	<u>\$ 40,677</u>	<u>\$ 152,349</u>	<u>\$ 193,026</u>

NOTES
TO
FINANCIAL
STATEMENTS

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Township relating to the funds and account groups included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. The more significant accounting policies of the Township are described below.

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Government-Wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, are combined in a single column on the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Operating Fund accounts for property taxes collected for and the related costs to provide fire protection to the Township residents.

The Township reports the following major proprietary funds:

The Sewage Disposal Fund accounts for all the activity associated with the operations and maintenance of operating a sewage treatment system.

The Water System Fund accounts for all the activity associated with the operations and maintenance of operating a water distribution system.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements.

Enterprise funds account for operations where the intent of the Township is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for any activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges of the activity, or 3) it is the policy of the Township to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Township has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 30, 1989.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs. The Township currently maintains an agency fund to account for the monies collected and paid on behalf of developer's escrow accounts.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Real properties are considered capital assets regardless of initial cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	5 to 50 years
Utility plant	5 to 50 years
Machinery and equipment	2 to 40 years
Infrastructure	25 to 75 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

D. BUDGETARY DATA

The board of trustees follow the procedures as outlined in the Uniform Budgeting Manual for Local Units of Government in Michigan in the establishment of the various annual budgets.

The supervisor prepares the annual budgets through information received by the clerk. The proposed budget is then submitted for discussion and approved by the entire Township board. The budget is approved by activity rather than line item. If and when it becomes necessary to amend certain amounts in the budget, a proposal outlining the desired changes is made to and approved by the Township board at any of their regular meetings. Budget appropriations made, but not expended by year end, will lapse with the fiscal year end.

For the year ended March 31, 2006, expenditures exceeded appropriations in a couple functional activities.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. PROPERTY TAXES

The Township's property taxes are levied and become a lien on each December 1st based on the taxable value of property located in the Township as of the preceding December 31st. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls. The Township recognized the amount levied December 1, 2005 as revenue for the year ended March 31, 2006.

The 2005 taxable valuation of the Township totaled \$ 599,818,535. The delinquent real property taxes of the Township are purchased by Livingston County. The county sells tax notes, the proceeds of which will be used to pay the Township for these property taxes. The county disbursed the delinquent taxes to the Township in June 2005.

The Township levies the following millage:

General Township	.8040
Fire and fire capital improvements	<u>1.8905</u>
Total millage	<u>2.6945</u>

Michigan personal property tax assessments have been based, since the 1960's, on the use of one or more of several different multiplier tables formulated by the State Tax Commission against taxpayer reported original cost, depending on the assessor's view of the average life of the personal property. The State Tax Commission has indicated that it plans to reformulate the multipliers, with the new multipliers anticipated to become effective for the year 2000. The State Tax Tribunal has informally indicated that once the new multipliers are approved, it may allow them to be applied retroactively in pending personal property tax appeals.

F. MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. CASH EQUIVALENTS

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

H. RISK MANAGEMENT

The Township is exposed to various risks of loss pertaining to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for these claims. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

I. INVENTORIES AND PREPAID ITEMS

Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

J. CAPITALIZATION OF INTEREST

A portion of the interest cost incurred on capital projects is capitalized on assets that require a period of time for construction or to otherwise prepare them for their intended use. Such amounts are amortized over the useful lives of the assets.

K. INCOME TAXES

As a governmental agency, the Township is exempt from both federal income taxes and Michigan Single Business Tax.

NOTE 2 - DESCRIPTION OF REPORTING ENTITY

In accordance with Governmental Accounting Standards Board (GASB) statement number 39, all funds, agencies, and activities of Hartland Township have been included in the basic financial statements.

The following potential component unit has been evaluated under the criteria established by GASB statement number 39 and determined not be a component unit based upon financial independence and accountability.

HARTLAND, DEERFIELD, TYRONE FIRE AUTHORITY

Hartland Township appoints two members of the Authority's six member board. The Authority is fiscally independent from the Township. The Authority audited as an independent entity in compliance with Public Act. 2.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the governmental funds for the year ended March 31, 2006 was as follows:

A summary of changes in the governmental fund capital assets follows:

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
Land	\$ 1,160,030	\$	\$	\$ 1,160,030
Buildings and improvements	2,824,461	14,524		2,838,985
Machinery and equipment	126,105	19,641		145,746
Construction in progress	<u> </u>	<u>5,095</u>	<u> </u>	<u>5,095</u>
Total capital assets	4,110,596	39,260		4,149,856
Accumulated depreciation	<u>(779,295)</u>	<u>(91,429)</u>	<u> </u>	<u>(870,724)</u>
Governmental activities capital asset, net	<u>\$ 3,331,301</u>	<u>\$ (52,169)</u>	<u>\$</u>	<u>\$ 3,279,132</u>

Depreciation expense is being recorded in the government-wide statement of activities based upon the fund and activity utilizing the assets. The Township utilizes the straight line method to depreciate capital assets over their estimated useful lives. There is \$1,224,975 of debt associated with these capital assets.

Depreciation expense was distributed to the various activities as follows:

General government	\$ 32,541
Fire protection	<u>58,888</u>
	<u>\$ 91,429</u>

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 3 - CAPITAL ASSETS (continued)

A summary of changes in proprietary fixed assets is as follows:

Acquisitions of fixed assets in the Water System Fund and Sewage Disposal Fund, are recorded in their respective asset accounts and annual depreciation, based on the straight-line method over estimated useful life, is charged to current operations.

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
Land	\$ 1,547,230	\$	\$	\$ 1,547,230
Water system	9,110,267			9,110,267
Sewer System	<u>12,496,284</u>	<u> </u>	<u> </u>	<u>12,496,284</u>
	23,153,781			23,153,781
Less: accumulated depreciation	<u>(3,090,880)</u>	<u>(479,231)</u>	<u> </u>	<u>(3,570,111)</u>
Fixed assets, net of depreciation	<u>\$ 20,062,901</u>	<u>\$ (479,231)</u>	<u>\$</u>	<u>\$ 19,583,670</u>

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables exist at March 31, 2006. These represent short-term borrowings and amounts owed for reimbursements between other funds. The total interfund receivable and payable balance at March 31, 2006 is \$49,017.

	Interfund Receivable	Interfund Payable
General Fund	\$ 41,116	\$ 5,942
Water Fund	3,959	
Sewer Fund		2,200
Trust and agency fund	3,942	205
Current tax fund	<u> </u>	<u>40,670</u>
	<u>\$ 49,017</u>	<u>\$ 49,017</u>

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 5 - GOVERNMENTAL FUND - LONG-TERM DEBT

A summary of the Townships governmental fund long-term debt as of March 31, 2006, and transactions during the year then ended follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
Fire Hall Mortgage Payable	<u>\$ 1,314,109</u>	<u>\$</u>	<u>\$ 89,134</u>	<u>\$ 1,224,975</u>

Mortgage Payable

- On August 28, 2001, the Township received a \$1,600,000 mortgage loan for the expansion of the fire hall. The mortgage matures in July 2016 and requires monthly payments of principal and interest. As of March 31, 2006, the outstanding balance was \$1,224,975 with an interest rate fixed at 4.9% to maturity.

The following is a schedule of principal and interest payments to service the long-term mortgage obligations of the Township for the governmental funds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006 - 2007	\$ 93,607	\$ 57,940	\$ 151,547
2007 - 2008	98,298	53,249	151,547
2008 - 2009	103,224	48,323	151,547
2009 - 2010	108,397	43,150	151,547
2010 - 2011	113,830	37,717	151,547
2011 - 2016	660,655	97,078	757,733
2016 - 2021	<u>46,964</u>	<u>449</u>	<u>47,413</u>
	<u>\$ 1,224,975</u>	<u>\$ 337,906</u>	<u>\$ 1,562,881</u>

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 6 - PROPRIETARY FUNDS - BONDS PAYABLE

The following is a summary of the Townships debt categorized as proprietary for the year ended March 31, 2006:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
1. Bonds payable (Sanitary Sewer Project); interest is charges at 4.25% to 4.5% payable semi-annually to Livingston County with annual principle payments ranging from \$475,000 to \$1,175,000 until its maturity on November 1, 2030.	\$	\$ 21,700,000	\$	\$ 21,700,000
2. Bonds payable (Water System Special Assessment Bonds, Series 2001); interest is changed at 4.5% to 4.6%; payable to Livingston County through the year 2021 with principal payments annually from \$450,000 to \$475,000.	7,825,000		450,000	7,375,000

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 6 - PROPRIETARY FUNDS - BONDS PAYABLE (continued)

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
3. The Township expanded its sewer system into district #2 and connecting branches. Financing was done through bond sales through the Michigan State Revolving Loan Fund Program. The Livingston County Drain Commission signed an agreement with the Township to be the intermediary between the Township and state. Interest is charged at 2.25%. The Township had borrowed a total of \$8,125,055 for the expansion. The debt is set-up as two separate loans to match:				
1. District #2 and				
2. Branches to District #2.				
Thus, there are two separate special assessment districts set-up to repay the debt.				
1. District #2	3,344,915		295,000	3,049,915
2. Branches to #2	<u>1,490,526</u>		<u>130,000</u>	<u>1,360,526</u>
	<u>4,835,441</u>		<u>425,000</u>	<u>4,410,441</u>
The Township makes principal and interest payments to the Livingston County Drain Commission to be paid through the year 2015.				
4. The State of Michigan has discretion as to which costs are eligible to be paid through the revolving loan fund. Thus, for costs that are not eligible to be paid through the SRF program another bond sale was issued by the Livingston County Drain Commission (\$375,000 general obligation bonds). These bonds were issued in the year ending March 31, 1996. Interest is charged at 6%. Principal and interest is payable to the Livingston County Drain Commission to be paid through the year 2015.	235,000		20,000	215,000
5. On September 1, 2003 the Township sold bond anticipation notes to finance the preliminary cost associated with hooking up its residents to the sewer system at Genesee County. Interest is semi-annually at 2.0% with the entire principal balance due on September 1, 2005. The Township repaid this with a bond issue prior to its maturity.	4,350,000		4,350,000	

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 6 - PROPRIETARY FUNDS - BONDS PAYABLE (continued)

6. The Township entered into a land contract December 1, 1998 for the purpose of expanding the sewer treatment plant. Interest was charged at 6%.

	<u>353,520</u>	<u> </u>	<u>353,520</u>	<u> </u>
Total proprietary long-term debt	<u>\$ 17,598,961</u>	<u>\$ 21,700,000</u>	<u>\$ 5,598,520</u>	<u>\$ 33,700,441</u>

The following is a schedule of principal and interest payments to service the long-term obligations of the Township:

	ENTERPRISE FUNDS	
	<u>Proprietary Long Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
<u>Year</u>		
2006 - 2007	\$ 905,000	\$ 1,333,229
2007 - 2008	1,715,000	1,302,016
2008 - 2009	1,740,000	1,240,777
2009 - 2010	1,775,000	1,178,452
2010 - 2011	1,800,000	1,114,807
2011 - 2016	9,315,441	4,550,760
2016 - 2021	7,800,000	2,841,588
2021 - 2026	6,275,000	1,289,925
2026 - 2031	<u>2,375,000</u>	<u>318,844</u>
	<u>\$ 33,700,441</u>	<u>\$ 15,170,398</u>

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 7 - EMPLOYEE RETIREMENT PLAN

The Township participates in the Manulife Defined Contribution Pension Plan Group No. 60145 for Michigan Township employees. This is a single-employer plan. Substantially all full-time employees, elected officials and trustees are included in the plan. Plan eligibility is a minimum age of 18 and not more than 75. The plan is 75% contributory by the Township and 25% by the employee. For employees with annual compensation of \$3,000 or more, the total annual contribution is \$900. Employees may also make voluntary after tax contributions in amounts ranging from 1% to 10% of compensation. Annual compensation used to determine the current year contribution is as of February 1, preceding the year. Contribution information is as follows:

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
TOTAL CURRENT YEAR CONTRIBUTIONS	<u>\$ 16,417</u>	<u>\$ 9,021</u>	<u>\$ 25,438</u>
ACCOUNT VALUE AT LAST ANNUAL STATEMENT			<u>\$ 123,539</u>

These balances reflect contributions for the period from April 1, 2005 to March 31, 2006. The current year employer contribution for the year ended March 31, 2006, was \$16,417. Interest has been credited to October 31, 2005.

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 8 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy adopted by the Township in accordance with Act 196 PA 1997 has authorized investments as listed in the state statutory authority listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's deposits and investments are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 700,000	\$ 700,000
Uninsured and uncollateralized	<u>13,345,896</u>	<u>14,106,949</u>
Total deposits	<u>\$ 14,045,896</u>	<u>\$ 14,806,949</u>

HARTLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 9 - CONTINGENCIES

The Township is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Township.

NOTE 10 - TRUST AND AGENCY FUND

The Township maintains the Trust and Agency Fund to account for delinquent personal property taxes and funds held in escrow for developers. Accurate records were not maintained for these escrows accounts and it is expected that a portion of these funds held by the Trust and Agency Fund may be repaid to the General Fund.

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two enterprise funds, which provide water and sewer services. Segment information for the year ended March 31, 2006, was as follows:

	Sewer Fund	Water Fund	Total Enterprise Funds
Operating revenues	\$ 547,278	\$ 286,468	\$ 833,746
Depreciation	251,022	228,209	479,231
Operating (loss)	(12,176,701)	(132,749)	(12,309,450)
Non-operating revenues	387,327	98,280	485,607
Net income (loss)	1,038,994	(34,469)	1,004,525
Total assets	41,139,782	17,401,708	58,541,490
Accounts payable	57,053	17,974	75,027
Net working capital	610,686	733,629	1,344,315
Total equity	14,754,612	9,867,862	24,622,474

NOTE 12 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to fire fund for \$32,145 due to an overestimation of a receivable. The receivable was attributed to Hartland Township's portion of start-up funds to be provided for the creation of the Hartland Deerfield Tyrone Fire Authority. Amounts still remain for the funds owed by Deerfield and Tyrone for their portion of these start-up costs.

REQUIRED
SUPPLEMENTARY
INFORMATION

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 435,000	\$ 435,000	\$ 482,532	\$ 47,532
Licenses and permits	27,600	30,200	24,067	(6,133)
State shared revenues	746,300	746,300	755,057	8,757
Charges for services	200,260	200,260	262,553	62,293
Miscellaneous revenues	63,100	60,500	130,508	70,008
Total revenues	1,472,260	1,472,260	1,654,717	182,457
EXPENDITURES	1,852,880	1,852,880	1,406,523	446,357
Excess of revenues over (under) expenditures	(380,620)	(380,620)	248,194	628,814
OTHER FINANCING SOURCES (USES)				
Transfers in			100,000	100,000
Transfers (out)	(25,000)	(25,000)	(25,000)	
Total other financing sources (uses)	(25,000)	(25,000)	75,000	100,000
Excess of revenues over (under) expenditures and other financing sources (uses)	(405,620)	(405,620)	323,194	728,814
FUND BALANCE, APRIL 1, 2005	1,554,373	1,554,373	1,554,373	
FUND BALANCE, MARCH 31, 2006	\$ 1,148,753	\$ 1,148,753	\$ 1,877,567	\$ 728,814

HARTLAND TOWNSHIP
FIRE OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Taxes	\$	\$	\$ 1,134,616	\$
Interest			29,461	
Total revenues	<u>1,041,000</u>	<u>1,041,000</u>	<u>1,164,077</u>	<u>123,077</u>
EXPENDITURES				
Audit fees			800	
Authority contributions			851,513	
Tax chargebacks			16,262	
Supplies			8	
Maintenance			6,483	
Legal fees			12,330	
Capital outlay			14,524	
Note payable - principal			89,139	
Note payable - interest			62,407	
Utility assessments			1,487	
Total expenditures	<u>942,583</u>	<u>942,583</u>	<u>1,054,953</u>	<u>(112,370)</u>
Excess of revenues over expenditures	98,417	98,417	109,124	10,707
FUND BALANCE, APRIL 1, 2005	1,460,701	1,460,701	1,460,701	
PRIOR PERIOD ADJUSTMENT			(32,145)	(32,145)
FUND BALANCE, MARCH 31, 2006	<u>\$ 1,559,118</u>	<u>\$ 1,559,118</u>	<u>\$ 1,537,680</u>	<u>\$ (21,438)</u>

SUPPLEMENTARY
INFORMATION

COMBINING
FINANCIAL
STATEMENTS

HARTLAND TOWNSHIP
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
MARCH 31, 2006

	<u>Liquor Law Enforcement</u>	<u>Fire Operating</u>	<u>Cable Television</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 23,923	\$ 1,219,258	\$ 222,773
Taxes receivable		69,162	
Interest receivable		4,594	1,972
Fees receivable		<u>249,803</u>	<u>20,914</u>
Total assets	<u>\$ 23,923</u>	<u>\$ 1,542,817</u>	<u>\$ 245,659</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$	\$ 5,137	\$ 10,502
Accrued payroll/compensated absences			3,294
Payroll taxes payable			<u>146</u>
Total liabilities		5,137	13,942
FUND BALANCE	<u>23,923</u>	<u>1,537,680</u>	<u>231,717</u>
Total liabilities and fund balance	<u>\$ 23,923</u>	<u>\$ 1,542,817</u>	<u>\$ 245,659</u>

<u>Cemetery</u>	<u>Township Improvement Revolving</u>	<u>Totals</u>
\$ 126,801	\$ 1,040,179	\$ 2,632,934
		69,162
		6,566
		<u>270,717</u>
<u>\$ 126,801</u>	<u>\$ 1,040,179</u>	<u>\$ 2,979,379</u>

\$ 9	\$	\$ 15,648
		3,294
		<u>146</u>
9		19,088
<u>126,792</u>	<u>1,040,179</u>	<u>2,960,291</u>
<u>\$ 126,801</u>	<u>\$ 1,040,179</u>	<u>\$ 2,979,379</u>

HARTLAND TOWNSHIP
COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS
MARCH 31, 2006

	Water System Fund	Sewage Disposal System Fund	Totals
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 810,707	\$ 515,843	\$ 1,326,550
Accounts receivable	48,927	154,572	203,499
Inventory	28,882		28,882
Due from other funds	<u>3,959</u>		<u>3,959</u>
Total current assets	<u>892,475</u>	<u>670,415</u>	<u>1,562,890</u>
 RESTRICTED ASSETS			
Cash and cash equivalents	1,291,438	5,958,669	7,250,107
Special assessments receivable	6,622,986	16,222,316	22,845,302
Due from county - construction funds		7,038,558	7,038,558
Debt issuance costs, net	<u>102,480</u>	<u>158,483</u>	<u>260,963</u>
Total restricted assets	<u>8,016,904</u>	<u>29,378,026</u>	<u>37,394,930</u>
 PROPERTY, PLANT AND EQUIPMENT			
Land	300,000	1,247,230	1,547,230
Water/sewer system	<u>9,110,267</u>	<u>12,496,284</u>	<u>21,606,551</u>
	9,410,267	13,743,514	23,153,781
Less accumulated depreciation	<u>917,938</u>	<u>2,652,173</u>	<u>3,570,111</u>
Net property, plant and equipment	<u>8,492,329</u>	<u>11,091,341</u>	<u>19,583,670</u>
Total assets	<u>\$ 17,401,708</u>	<u>\$ 41,139,782</u>	<u>\$ 58,541,490</u>

	Water System Fund	Sewage Disposal System Fund	Totals
<u>LIABILITIES AND FUND EQUITY</u>			
CURRENT LIABILITIES			
Accounts payable / accrued expenses	\$ 18,436	\$ 57,529	\$ 75,965
Accrued interest payable	140,410		140,410
Due to other funds		2,200	2,200
Total current liabilities	<u>158,846</u>	<u>59,729</u>	<u>218,575</u>
CURRENT LIABILITIES (from restricted assets)			
Bonds payable	450,000		450,000
Contract payable - LCDC - sewer		455,000	455,000
Total current liabilities (from restricted assets)	<u>450,000</u>	<u>455,000</u>	<u>905,000</u>
LONG-TERM LIABILITIES (from restricted assets)			
Bonds payable	6,925,000		6,925,000
Contract payable - LCDC - sewer		25,870,441	25,870,441
Total long-term liabilities (from restricted assets)	<u>6,925,000</u>	<u>25,870,441</u>	<u>32,795,441</u>
Total liabilities	7,533,846	26,385,170	33,919,016
FUND EQUITY			
Retained earnings	<u>9,867,862</u>	<u>14,754,612</u>	<u>24,622,474</u>
Total liabilities and fund equity	<u>\$ 17,401,708</u>	<u>\$ 41,139,782</u>	<u>\$ 58,541,490</u>

HARTLAND TOWNSHIP
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
MARCH 31, 2006

	<u>Current Tax Collection</u>	<u>Trust and Agency</u>	<u>Totals</u>
ASSET			
Cash	\$ 34,897	\$ 148,407	\$ 183,304
Due from other funds		3,942	3,942
Due from others	<u>5,780</u>		<u>5,780</u>
Total assets	<u>\$ 40,677</u>	<u>\$ 152,349</u>	<u>\$ 193,026</u>
LIABILITIES			
Due to other funds	\$ 40,670	\$ 205	\$ 40,875
Deposits	<u>7</u>	<u>152,144</u>	<u>152,151</u>
Total liabilities	<u>\$ 40,677</u>	<u>\$ 152,349</u>	<u>\$ 193,026</u>

HARTLAND TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Liquor Law Enforcement</u>	<u>Fire Operating</u>	<u>Cable Television</u>
REVENUES			
Property taxes	\$	\$ 1,134,616	\$
Licenses and permits	6,299		
Charges for services			85,484
Donations			
Interest	705	29,461	9,324
Miscellaneous			<u>586</u>
Total revenues	<u>7,004</u>	<u>1,164,077</u>	<u>95,394</u>
EXPENDITURES			
Public safety		903,407	
Salaries and fees	1,830		71,643
Small equipment			16,377
Taxes - payroll	140		5,333
Cemetery maintenance			
Cable TV operations			47,300
Debt service		<u>151,546</u>	
Total expenditures	<u>1,970</u>	<u>1,054,953</u>	<u>140,653</u>
Excess of revenues over (under) expenditures	5,034	109,124	(45,259)
OTHER FINANCING SOURCES			
Transfer in			
Excess of revenues over (under) expenditures and other financing sources	5,034	109,124	(45,259)
FUND BALANCE, APRIL 1, 2005	18,889	1,460,701	276,976
PRIOR PERIOD ADJUSTMENT		<u>(32,145)</u>	
FUND BALANCE, MARCH 31, 2006	<u>\$ 23,923</u>	<u>\$ 1,537,680</u>	<u>\$ 231,717</u>

<u>Cemetery</u>	<u>Township Improvement Revolving</u>	<u>Totals</u>
\$	\$	\$ 1,134,616
		6,299
2,407		87,891
	67,804	67,804
3,844	27,102	70,436
		<u>586</u>
<u>6,251</u>	<u>94,906</u>	<u>1,367,632</u>
		903,407
		73,473
		16,377
		5,473
19,062		19,062
		47,300
		<u>151,546</u>
<u>19,062</u>		<u>1,216,638</u>
(12,811)	94,906	150,994
<u>25,000</u>		<u>25,000</u>
12,189	94,906	175,994
114,603	945,273	2,816,442
		<u>(32,145)</u>
<u>\$ 126,792</u>	<u>\$ 1,040,179</u>	<u>\$ 2,960,291</u>

HARTLAND TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	Water System Fund	Sewage Disposal System Fund	Totals
OPERATING REVENUES			
User charges	\$ 233,588	\$ 547,278	\$ 780,866
Meter sales	44,485		44,485
Reimbursements	<u>8,395</u>		<u>8,395</u>
Total operating revenues	<u>286,468</u>	<u>547,278</u>	<u>833,746</u>
OPERATING EXPENSES			
Expansion projects		11,983,964	11,983,964
Amortization		4,342	4,342
Depreciation	228,209	251,022	479,231
Consulting engineer	105,126	48,264	153,390
Contract services	1,396	313,835	315,231
Meters	38,181		38,181
Legal fees	1,327	2,546	3,873
Assessments/licenses	982	6,263	7,245
Audit fees	3,700	4,500	8,200
Repairs and maintenance	581	46,743	47,324
Supplies and postage	395	2,379	2,774
Miscellaneous	401	960	1,361
Insurance	8,182	27,836	36,018
Wages and payroll taxes	<u>30,737</u>	<u>31,325</u>	<u>62,062</u>
Total operating expenses	<u>419,217</u>	<u>12,723,979</u>	<u>13,143,196</u>
Operating income (loss)	<u>(132,749)</u>	<u>(12,176,701)</u>	<u>(12,309,450)</u>
NON-OPERATING REVENUES AND (EXPENSES)			
Interest income - special assessments	396,021	332,502	728,523
Interest income - cash and cash equivalents	47,949	191,811	239,760
Amortization - bond fees	(6,995)	(350)	(7,345)
Rental and other income		43,950	43,950
Interest expense	<u>(338,695)</u>	<u>(180,586)</u>	<u>(519,281)</u>
Total non-operating revenues	<u>98,280</u>	<u>387,327</u>	<u>485,607</u>
Net income (loss) before capital contributions and transfers	<u>(34,469)</u>	<u>(11,789,374)</u>	<u>(11,823,843)</u>
CAPITAL CONTRIBUTIONS			
Special assessments levied		13,102,100	13,102,100
Tap-in fees refunded		<u>(173,732)</u>	<u>(173,732)</u>
Total capital contributions		<u>12,928,368</u>	<u>12,928,368</u>
OPERATING TRANSFERS (OUT)		<u>(100,000)</u>	<u>(100,000)</u>
Net income (loss)	(34,469)	1,038,994	1,004,525
RETAINED EARNINGS AT APRIL 1, 2005	<u>9,902,331</u>	<u>13,715,618</u>	<u>23,617,949</u>
RETAINED EARNINGS AT MARCH 31, 2006	<u>\$ 9,867,862</u>	<u>\$ 14,754,612</u>	<u>\$ 24,622,474</u>

HARTLAND TOWNSHIP
COMBING STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	Water System Fund	Sewage Disposal System Fund	Totals
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash from users	\$ 279,726	\$ 559,732	\$ 839,458
Cash paid to vendors	(183,694)	(19,527,622)	(19,711,316)
Cash paid to employees	(28,249)	(30,849)	(59,098)
Other cash payments	(275)		(275)
Other cash receipts	8,395	43,950	52,345
Cash received from other funds	<u>7,494</u>	<u>2,200</u>	<u>9,694</u>
Net cash from (used in) operating activities	<u>83,397</u>	<u>(18,952,589)</u>	<u>(18,869,192)</u>
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Bond proceeds		21,700,000	21,700,000
Construction costs reimbursed		517,634	517,634
Special assessment collections	537,645	1,098,080	1,635,725
Interest received on assessments	396,021	332,502	728,523
Repayment of principal on bonds	(450,000)	(5,148,520)	(5,598,520)
Interest paid on bonds	(347,225)	(180,586)	(527,811)
Bond fees paid		(350)	(350)
Bond issuance costs		(162,825)	(162,825)
Operating transfers out		(100,000)	(100,000)
Tap-in fees refunded		<u>(173,732)</u>	<u>(173,732)</u>
Net cash from (used in) capital and related financing activities	<u>136,441</u>	<u>17,882,203</u>	<u>18,018,644</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>47,949</u>	<u>192,387</u>	<u>240,336</u>
Net increase (decrease) in cash and cash equivalents	267,787	(877,999)	(610,212)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,834,358</u>	<u>7,352,511</u>	<u>9,186,869</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,102,145</u>	<u>\$ 6,474,512</u>	<u>\$ 8,576,657</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

HARTLAND TOWNSHIP
GENERAL FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash and investments	\$ 1,918,841
Taxes receivable	29,412
Accounts receivable - state shared revenues	125,301
Due from other funds	41,116
Due from county	<u>11,836</u>
Total assets	<u>\$ 2,126,506</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 162,846
Accrued payroll	15,068
Payroll taxes payable	1,110
Accrued compensated absences	11,475
Due to other funds	5,942
Compliance reserves	<u>52,498</u>

Total liabilities \$ 248,939

FUND BALANCE

1,877,567

Total liabilities and fund balance \$ 2,126,506

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 435,000	\$ 482,532	\$ 47,532
Licenses and permits	30,200	24,067	(6,133)
State shared revenues	746,300	755,057	8,757
Charges for services	200,260	262,553	62,293
Miscellaneous revenues	<u>60,500</u>	<u>130,508</u>	<u>70,008</u>
Total revenues	1,472,260	1,654,717	182,457
EXPENDITURES	<u>1,852,880</u>	<u>1,406,523</u>	<u>446,357</u>
Excess of revenues over (under) expenditures	(380,620)	248,194	628,814
OTHER FINANCING SOURCES (USES)			
Transfers in		100,000	100,000
Transfers (out)	<u>(25,000)</u>	<u>(25,000)</u>	<u> </u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>75,000</u>	<u>100,000</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	(405,620)	323,194	728,814
FUND BALANCE, APRIL 1, 2005	<u>1,554,373</u>	<u>1,554,373</u>	<u> </u>
FUND BALANCE, MARCH 31, 2006	<u>\$ 1,148,753</u>	<u>\$ 1,877,567</u>	<u>\$ 728,814</u>

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TAXES			
Current property taxes	<u>\$ 435,000</u>	<u>\$ 482,532</u>	<u>\$ 47,532</u>
LICENSES AND PERMITS			
Mobile home		3,088	
Dog licenses		1,059	
Land use		12,720	
Sign permits, licenses		<u>7,200</u>	
Total licenses and permits	<u>30,200</u>	<u>24,067</u>	<u>(6,133)</u>
STATE SHARED REVENUES	<u>746,300</u>	<u>755,057</u>	<u>8,757</u>
CHARGES FOR SERVICES			
Right of way fees		17,511	
Tax administration fee		191,786	
Zoning fees		32,688	
Tax collections fees		14,268	
Board of appeals		<u>6,300</u>	
Total charges for services	<u>200,260</u>	<u>262,553</u>	<u>62,293</u>
MISCELLANEOUS REVENUES			
Printed material		3,025	
Passport fees		3,690	
Fines		300	
Interest on investments		82,220	
Reimbursements		11,801	
Rental income		24,000	
Miscellaneous		<u>5,470</u>	
Total miscellaneous revenues	<u>60,500</u>	<u>130,508</u>	<u>70,008</u>
Total revenues	<u>\$ 1,472,260</u>	<u>\$ 1,654,717</u>	<u>\$ 182,457</u>

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TOWNSHIP BOARD			
Wages	\$	\$ 603	\$
Retirement		6,197	
Trustee fee		19,255	
Supplies and postage		445	
Contracted services		2,440	
Audit		8,700	
Legal		101,313	
Taxes - payroll		1,495	
Membership and dues		9,544	
Mileage		1,072	
Miscellaneous		485	
Bank charges		7,189	
Training		1,630	
Printing and publications		6,237	
	<u> </u>	<u> </u>	<u> </u>
Total township board	<u>152,400</u>	<u>166,605</u>	<u>(14,205)</u>
SUPERVISOR			
Supervisor salary		41,421	
Secretary salaries		28,533	
Taxes - payroll		5,149	
Supplies and postage		820	
Contracted labor		1,649	
Mileage		62	
	<u> </u>	<u> </u>	<u> </u>
Total supervisor	<u>77,022</u>	<u>77,634</u>	<u>(612)</u>
ELECTIONS			
Wages and fees		3,160	
Taxes - payroll		70	
Supplies and postage		4,376	
Contracted services		560	
Miscellaneous		255	
	<u> </u>	<u> </u>	<u> </u>
Total elections	<u>30,620</u>	<u>8,421</u>	<u>22,199</u>
FINANCE DEPARTMENT			
Salary		46,563	
Taxes - payroll		2,970	
Contracted services		795	
Supplies		668	
Membership and dues		70	
Education		225	
	<u> </u>	<u> </u>	<u> </u>
Total finance department	<u>55,838</u>	<u>51,291</u>	<u>4,547</u>

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ASSESSOR			
Salaries and wages		93,794	
Taxes - payroll		6,009	
Supplies and postage		2,370	
Contracted services		26,865	
Printing and publications		542	
Membership and dues		503	
Tax preparation		2,434	
Mileage		148	
Education		2,104	
Miscellaneous		13	
	<u> </u>	<u> </u>	<u> </u>
Total assessor	<u>178,494</u>	<u>134,782</u>	<u>43,712</u>
CLERK			
Clerk salary		41,421	
Other - clerical salary		27,153	
Taxes - payroll		4,831	
Supplies and postage		1,374	
Mileage		335	
Membership and dues		235	
Education		926	
Capital outlay		140	
	<u> </u>	<u> </u>	<u> </u>
Total clerk	<u>95,051</u>	<u>76,415</u>	<u>18,636</u>
BOARD OF REVIEW			
Fees		980	
Taxes - payroll		75	
Printing and publications		273	
	<u> </u>	<u> </u>	<u> </u>
Total board of review	<u>1,765</u>	<u>1,328</u>	<u>437</u>

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TREASURER			
Treasurer salary		40,221	
Assistant wages		38,754	
Taxes - payroll		5,601	
Supplies and postage		1,861	
Tax statement preparation		7,847	
Mileage		988	
Membership and dues		255	
Education and training		1,702	
Miscellaneous		233	
Capital outlay		913	
	<u>103,936</u>	<u>98,375</u>	<u>5,561</u>
Total treasurer			
DATA PROCESSING			
Internet access		5,138	
Contracted services		3,240	
Repairs and maintenance		9,415	
Capital outlay		1,388	
Supplies		387	
	<u>30,500</u>	<u>19,568</u>	<u>10,932</u>
Total data processing			
TOWNSHIP HALL AND GROUNDS			
Contracted services		4,862	
Supplies		1,534	
Snow removal and mowing		9,613	
Contract cleaning		3,600	
Telephone		7,350	
Fuel and oil		784	
Utilities			
Gas		1,906	
Electric		14,860	
Softener		428	
Repairs and maintenance		5,763	
Assessments		1,487	
Capital outlay		5,095	
Miscellaneous		122	
	<u>112,918</u>	<u>57,404</u>	<u>55,514</u>
Total township hall and grounds			

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
UNALLOCATED			
Employee benefits		73,250	
Retirement		10,747	
Office supplies and postage		4,585	
Tax chargebacks		28,643	
Mileage		34	
Insurance and bonds		32,878	
Service contracts		8,445	
Miss Dig		1,860	
Drains at large		2,000	
Repairs and maintenance		97	
Total unallocated	<u>151,600</u>	<u>162,539</u>	<u>(10,939)</u>
LAW ENFORCEMENT			
Livingston County Sheriff Contract		110,341	
Sub-station rental		1,800	
Total law enforcement	<u>142,000</u>	<u>112,141</u>	<u>29,859</u>
PLANNING AND ZONING			
Wages		166,659	
Taxes - payroll		12,120	
Supplies and postage		3,107	
Contract services		36,377	
Membership and dues		740	
Mileage		852	
Printing and publications		8,675	
Miscellaneous		100	
Education		672	
Consulting engineers		1,703	
Legal fees		23,750	
Total planning and zoning	<u>299,344</u>	<u>254,755</u>	<u>44,589</u>

HARTLAND TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ZONING BOARD OF APPEALS			
Fees and wages		2,998	
Taxes - payroll		229	
Supplies and postage		722	
Printing		1,552	
Dues		100	
Total zoning board of appeals	<u>9,060</u>	<u>5,601</u>	<u>3,459</u>
STREET LIGHTS	<u>13,000</u>	<u>12,017</u>	<u>983</u>
ROADS			
Improvements		28,776	
Chloride		60,266	
Total roads	<u>275,000</u>	<u>89,042</u>	<u>185,958</u>
DRAINS	<u>69,132</u>	<u>39,110</u>	<u>30,022</u>
SENIOR CITIZENS	<u>19,800</u>	<u>19,800</u>	
PARKS AND RECREATION			
Contracted services		5,940	
Capital outlay - fields		13,628	
Total parks and recreation	<u>33,900</u>	<u>19,568</u>	<u>14,332</u>
HISTORICAL PRESERVATION	<u>1,500</u>	<u>127</u>	<u>1,373</u>
Total expenditures	<u>\$ 1,852,880</u>	<u>\$ 1,406,523</u>	<u>\$ 446,357</u>

LIQUOR
LAW
ENFORCEMENT
FUND

HARTLAND TOWNSHIP
LIQUOR LAW ENFORCEMENT FUND
BALANCE SHEET
MARCH 31, 2006

ASSET

ASSET
Cash

\$ 23,923

FUND BALANCE

FUND BALANCE

\$ 23,923

HARTLAND TOWNSHIP
LIQUOR LAW ENFORCEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Liquor license fees	\$	\$ 6,299	\$
Interest		<u>705</u>	
Total revenues	<u>5,800</u>	<u>7,004</u>	<u>1,204</u>
EXPENDITURES			
Inspection fees		1,830	
Taxes - payroll		<u>140</u>	
Total expenditures	<u>1,970</u>	<u>1,970</u>	
Excess of revenues over expenditures	3,830	5,034	1,204
FUND BALANCE, APRIL 1, 2005	<u>18,889</u>	<u>18,889</u>	
FUND BALANCE, MARCH 31, 2006	<u>\$ 22,719</u>	<u>\$ 23,923</u>	<u>\$ 1,204</u>

FIRE
OPERATING
FUND

HARTLAND TOWNSHIP
FIRE OPERATING FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash	\$ 1,219,258
Taxes receivable	69,162
Interest receivable	4,594
Due from fire authority members	<u>249,803</u>
Total assets	<u>\$ 1,542,817</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 5,137
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FUND BALANCE

1,537,680

Total liabilities and fund balance	<u>\$ 1,542,817</u>
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HARTLAND TOWNSHIP
FIRE OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$	\$ 1,134,616	\$
Interest		<u>29,461</u>	
Total revenues	<u>1,041,000</u>	<u>1,164,077</u>	<u>123,077</u>
EXPENDITURES			
Audit fees		800	
Authority contributions		851,513	
Tax chargebacks		16,262	
Supplies		8	
Maintenance		6,483	
Legal fees		12,330	
Capital outlay		14,524	
Note payable - principal		89,139	
Note payable - interest		62,407	
Utility assessments		<u>1,487</u>	
Total expenditures	<u>942,583</u>	<u>1,054,953</u>	<u>(112,370)</u>
Excess of revenues over expenditures	98,417	109,124	10,707
FUND BALANCE, APRIL 1, 2005	1,460,701	1,460,701	
PRIOR PERIOD ADJUSTMENT		<u>(32,145)</u>	<u>(32,145)</u>
FUND BALANCE, MARCH 31, 2006	<u>\$ 1,559,118</u>	<u>\$ 1,537,680</u>	<u>\$ (21,438)</u>

CABLE
TELEVISION
FUND

HARTLAND TOWNSHIP
CABLE TELEVISION FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash	\$ 222,773
Fees receivable	20,914
Interest receivable	<u>1,972</u>
Total assets	<u>\$ 245,659</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 10,502
Accrued payroll	3,294
Payroll taxes payable	<u>146</u>
Total liabilities	13,942

FUND BALANCE

	<u>231,717</u>
Total liabilities and fund balance	<u>\$ 245,659</u>

HARTLAND TOWNSHIP
CABLE TELEVISION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Fees	\$	\$ 85,484	\$
Interest		9,324	
Miscellaneous		<u>586</u>	
Total revenues	<u>86,000</u>	<u>95,394</u>	<u>9,394</u>
EXPENDITURES			
Salaries		64,783	
Taxes - payroll		5,333	
Employee benefits		3,663	
Fees		6,860	
Legal fees		2,902	
Audit fees		6,650	
Engineering fees		2,605	
Supplies - postage		539	
Supplies - operating		4,022	
Rent		11,000	
Membership and dues		10	
Repairs and maintenance		1,574	
Miscellaneous		110	
Education		664	
Telephone		617	
Printing and publications		361	
Contracted services		12,224	
Insurance		359	
Capital outlay		<u>16,377</u>	
Total expenditures	<u>171,707</u>	<u>140,653</u>	<u>31,054</u>
Excess of revenues over (under) expenditures	(85,707)	(45,259)	40,448
FUND BALANCE, APRIL 1, 2005	<u>276,976</u>	<u>276,976</u>	
FUND BALANCE, MARCH 31, 2006	<u>\$ 191,269</u>	<u>\$ 231,717</u>	<u>\$ 40,448</u>

CEMETERY
FUND

HARTLAND TOWNSHIP
CEMETERY FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

UNRESTRICTED ASSETS

Cash		\$ 17,261
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RESTRICTED ASSETS

Cash		
Crouse	\$ 37,990	
George T. Arthur Trust	53,438	
Perpetual care	<u>18,112</u>	

Total restricted assets		<u>109,540</u>
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Total assets		<u>\$ 126,801</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable		\$ 9
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FUND BALANCE

	<u>126,792</u>
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Total liabilities and fund balance		<u>\$ 126,801</u>
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HARTLAND TOWNSHIP
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest	\$	\$ 3,844	\$
Sale of cemetery lots		<u>2,407</u>	
Total revenues	<u>3,600</u>	<u>6,251</u>	<u>2,651</u>
EXPENDITURES			
Supplies and postage		120	
Maintenance of cemeteries		<u>18,942</u>	
Total expenditures	<u>32,472</u>	<u>19,062</u>	<u>13,410</u>
Excess of revenues over (under) expenditures	(28,872)	(12,811)	16,061
OTHER FINANCING SOURCES			
Transfers in	<u>25,000</u>	<u>25,000</u>	
Excess of revenues over (under) expenditures and other financing sources	(3,872)	12,189	16,061
FUND BALANCE, APRIL 1, 2005	<u>114,603</u>	<u>114,603</u>	
FUND BALANCE, MARCH 31, 2006	<u>\$ 110,731</u>	<u>\$ 126,792</u>	<u>\$ 16,061</u>

TOWNSHIP
IMPROVEMENT
REVOLVING
FUND

HARTLAND TOWNSHIP
TOWNSHIP IMPROVEMENT REVOLVING FUND
BALANCE SHEET
MARCH 31, 2006

ASSET

ASSETS
Cash

\$1,040,179

FUND BALANCE

FUND BALANCE

\$1,040,179

HARTLAND TOWNSHIP
TOWNSHIP IMPROVEMENT REVOLVING FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Actual</u>
REVENUES	
Donations	\$ 67,804
Interest	<u>27,102</u>
Total revenues	94,906
EXPENDITURES	<u> </u>
Excess of revenues over (under) expenditures	94,906
FUND BALANCE, APRIL 1, 2005	<u>945,273</u>
FUND BALANCE, MARCH 31, 2006	<u><u>\$ 1,040,179</u></u>

CAPITAL IMPROVEMENT
FUND

HARTLAND TOWNSHIP
CAPITAL IMPROVEMENT FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS
Cash

\$ 734,160

FUND BALANCE

FUND BALANCE

\$ 734,160

HARTLAND TOWNSHIP
CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Actual</u>
REVENUES	
Interest	\$ 25,630
EXPENDITURES	
Excess of revenues over expenditures	25,630
FUND BALANCE, APRIL 1, 2005	<u>708,530</u>
FUND BALANCE, MARCH 31, 2006	<u><u>\$ 734,160</u></u>

WATER
SYSTEM
FUND

HARTLAND TOWNSHIP
WATER SYSTEM FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

CURRENT ASSETS

Cash	\$	810,707	
Accounts receivable - billings		48,927	
Due from other funds		3,959	
Inventory		<u>28,882</u>	
Total current assets			\$ 892,475

RESTRICTED ASSETS

Cash		1,291,438	
Special assessment receivable - deferred		6,622,986	
Bond fees - net of amortization		<u>102,480</u>	
Total restricted assets			8,016,904

PROPERTY, PLANT AND EQUIPMENT

Land		300,000	
Equipment		2,586	
Water system		<u>9,107,681</u>	
		9,410,267	
Less accumulated depreciation		<u>(917,938)</u>	
Net property, plant and equipment			<u>8,492,329</u>
Total assets			<u>\$ 17,401,708</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 17,974
Accrued interest payable	140,410
Accrued wages/taxes	<u>462</u>

Total current liabilities		\$ 158,846
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CURRENT LIABILITIES (from restricted assets)

Current portion of long term debt - bonds payable		450,000
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LONG-TERM LIABILITIES (from restricted assets)

Bonds payable after one year		<u>6,925,000</u>
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Total liabilities		7,533,846
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FUND EQUITY

Retained earnings		<u>9,867,862</u>
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Total liabilities and fund equity		<u>\$ 17,401,708</u>
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HARTLAND TOWNSHIP
WATER SYSTEM FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2006

OPERATING REVENUES		
User charges	\$ 233,588	
Meter sales	44,485	
Reimbursements	<u>8,395</u>	
Total operating revenues		\$ 286,468
OPERATING EXPENSES		
Depreciation	228,209	
Contracted services	1,396	
Engineering services	105,126	
Legal fees	1,327	
Audit fees	3,700	
Repair and maintenance	581	
Payroll taxes	2,026	
Insurance	8,182	
Meters	38,181	
Supplies and postage	395	
Dues	300	
Miscellaneous	101	
Assessments	982	
Wages	<u>28,711</u>	
Total operating expenses		<u>419,217</u>
Operating (loss)		(132,749)
NON-OPERATING REVENUES (EXPENSES)		
Interest income - special assessments	396,021	
Interest income - cash	47,949	
Interest expense	(338,695)	
Amortization- bond fees	(6,720)	
Other (expenses)	<u>(275)</u>	
Total non-operating revenues		<u>98,280</u>
Net (loss)		<u>\$ (34,469)</u>

HARTLAND TOWNSHIP
WATER SYSTEM FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2006

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Cash from users	\$ 279,726
Cash paid to vendors	(183,694)
Cash paid to employees	(28,249)
Other cash payments	(275)
Other cash receipts	8,395
Cash received from other funds	<u>7,494</u>

Net cash from operating activities \$ 83,397

CASH FLOWS FROM (USED IN) CAPITAL AND RELATED
FINANCING ACTIVITIES

Special assessment collections	537,645
Interest received on assessments	396,021
Repayment of principal on bonds	(450,000)
Interest paid on bonds	<u>(347,225)</u>

Net cash from capital and related
financing activities 136,441

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>47,949</u>
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Net increase in cash and cash equivalents 267,787

CASH AND CASH EQUIVALENTS AT APRIL 1, 2005	<u>1,834,358</u>
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CASH AND CASH EQUIVALENTS AT MARCH 31, 2006	<u><u>\$ 2,102,145</u></u>
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RECONCILIATION OF OPERATING (LOSS) TO NET CASH
PROVIDED FROM OPERATING ACTIVITIES

Operating (loss)	\$ (132,749)
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Adjustments to reconcile operating (loss) to net cash
provided by operating activities

Depreciation	\$ 228,209
Other expenses	(275)

Changes in asset and liabilities:

Decrease in accounts receivable	1,653
(Increase) in due from other funds	(3,959)
Decrease in inventory	2,235
(Decrease) in accounts payable/accrued expenses	(4,223)
(Decrease) due to other funds	<u>(7,494)</u>

Total adjustments 216,146

Net cash provided from operating activities \$ 83,397

SEWAGE
DISPOSAL
SYSTEM
FUND

HARTLAND TOWNSHIP
SEWAGE DISPOSAL SYSTEM FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

CURRENT ASSETS

Cash	\$	515,843	
Accounts receivable - billings		148,857	
Accounts receivable - project costs		<u>5,715</u>	
Total current assets	\$		670,415

RESTRICTED ASSETS

Cash		5,958,669	
Special assessment receivable		16,222,316	
Due from county - construction funds		7,038,558	
Bond issuance costs - net of amortization of \$4,342		<u>158,483</u>	
Total restricted assets			29,378,026

PROPERTY, PLANT AND EQUIPMENT

Land		1,247,230	
Sewer system		<u>12,496,284</u>	
		13,743,514	
Less accumulated depreciation		<u>(2,652,173)</u>	
Net property, plant and equipment			<u>11,091,341</u>
Total assets	\$		<u>41,139,782</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 57,053
Accrued payroll/taxes	476
Due to other funds	<u>2,200</u>

Total current liabilities		\$ 59,729
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CURRENT LIABILITIES (from restricted assets)

Contract payable - Livingston Country Drain	
Commission - sewer expansion/projects	455,000

LONG-TERM LIABILITIES (from restricted assets)

Contract payable - Livingston County Drain	
Commission - sewer expansion and branches	<u>25,870,441</u>

Total liabilities		26,385,170
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FUND EQUITY

Retained earnings	<u>14,754,612</u>
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Total liabilities and fund equity		<u>\$ 41,139,782</u>
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HARTLAND TOWNSHIP
SEWAGE DISPOSAL SYSTEM FUND
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2006

OPERATING REVENUES		
User charges		\$ 547,278
OPERATING EXPENSES		
Registrations/permits	\$ 6,263	
Audit fees	4,500	
Consulting engineer	48,264	
Contract services	313,835	
Insurance	27,836	
Depreciation	251,022	
Amortization	4,342	
Expansion project - county	11,983,964	
Legal fees	2,546	
Miscellaneous	960	
Repair and maintenance	46,743	
Supplies and postage	2,379	
Salary and payroll taxes	<u>31,325</u>	
Total operating expenses		<u>12,723,979</u>
Operating (loss)		(12,176,701)
NON-OPERATING REVENUES (EXPENSES)		
Interest income - special assessments	332,502	
Interest income - cash	191,811	
Bond fees	(350)	
Rental income	43,950	
Interest expense	<u>(180,586)</u>	
Total non-operating revenues (expenses)		387,327
CAPITAL CONTRIBUTIONS		
Special assessments levied	13,102,100	
Tap-ins refunds	<u>(173,732)</u>	
Total capital contributions		12,928,368
OPERATING TRANSFER (OUT)		<u>(100,000)</u>
Net income		<u>\$ 1,038,994</u>

HARTLAND TOWNSHIP
SEWAGE DISPOSAL SYSTEM FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2006

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Cash from users	\$ 559,732
Cash paid to vendors	(19,527,622)
Cash paid to employees	(30,849)
Cash received for rents	43,950
Cash received from other funds	<u>2,200</u>

Net cash (used in) operating activities \$ (18,952,589)

CASH FLOWS FROM (USED IN) CAPITAL AND RELATED
FINANCING ACTIVITIES

Bond proceeds	21,700,000
Special assessment collections	1,098,080
Interest received on assessments	332,502
Repayment of principal on bonds and land contracts	(5,148,520)
Interest paid on bonds	(180,586)
Bond fees paid	(350)
Bond issuance costs	(162,825)
Construction costs reimbursed	517,634
Operating transfers out	(100,000)
Tap fees refunded	<u>(173,732)</u>

Net cash (used in) capital and related
financing activities 17,882,203

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>192,387</u>
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Net (decrease) in cash and cash equivalents (877,999)

CASH AND CASH EQUIVALENTS AT APRIL 1, 2005 7,352,511

CASH AND CASH EQUIVALENTS AT MARCH 31, 2006 \$ 6,474,512

RECONCILIATION OF OPERATING (LOSS) TO NET CASH
(USED IN) OPERATING ACTIVITIES

Operating (loss)	\$ (12,176,701)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation/amortization	\$ 255,364
Rental income	43,950
Changes in assets and liabilities:	
Decrease in accounts receivable – billings	12,454
(Increase) in due from county construction funds	(7,038,558)
(Decrease) in accounts payable/accrued expense	(51,298)
Increase in due to other funds	<u>2,200</u>

Total adjustments (6,775,888)

Net cash (used in) operating activities \$ (18,952,589)

CURRENT
TAX
COLLECTION
FUND

HARTLAND TOWNSHIP
CURRENT TAX COLLECTION FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash	\$ 34,897
Due from others	<u>5,780</u>

Total assets

\$ 40,677

LIABILITIES

LIABILITIES

Due to general fund	\$ 40,670
Due to others	<u>7</u>

Total liabilities

\$ 40,677

TRUST
AND
AGENCY
FUND

HARTLAND TOWNSHIP
TRUST AND AGENCY FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash	\$ 148,407
Due from other funds	<u>3,942</u>

Total assets

\$ 152,349

LIABILITIES

LIABILITIES

Due to other funds	\$ 205
Due to others	<u>152,144</u>

Total liabilities

\$ 152,349

HARTLAND TOWNSHIP

COMMENTS
AND
RECOMMENDATIONS

FOR THE YEAR ENDED MARCH 31, 2006



PFEFFER ■ HANNIFORD ■ PALKA

Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

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MACPA

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(810) 229-5550
FAX (810) 229-5578

July 8, 2006

Board of Trustees
Hartland Township
3191 Hartland Road
Hartland, Michigan 48353

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of Hartland Township for the year ended March 31, 2006, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Those matters are as follows:

1. COMMENT

Amounts held in Trust and Agency Fund were not reconciled to the general ledger. Individual escrow accounts held for developers were not being maintained regularly. Charges to individual escrow accounts exceeded deposits by the developers in several escrow accounts.

RECOMMENDATION

Monies in this fund must be reconciled regularly to reflect balances held by developers for various projects. This fund should be reconciled to the general ledger on a monthly basis. Charges to developer escrow accounts (projects) should not exceed deposits.

2. COMMENT

Special assessment activity was not reconciled to the general ledger.

RECOMMENDATION

The detailed special assessment balances should be reconciled regularly to the general ledger by the accountant.

3. COMMENT

Accounts receivable, utility billings and water usage could not be reconciled to the general ledger.

RECOMMENDATION

Detailed billing registers and outstanding balance reports need to be maintained and periodically reconciled to the general ledger. The accountant should reconcile usage with billings on a regular basis, and identify sales of consumption in excess of billings.

4. COMMENT

For the year ended March 31, 2006, we found instances where expenditures exceeded budget appropriations. A budget was not prepared for the Public Improvement Revolving Fund which is a violation of Public Act 493 of 2000.

RECOMMENDATION

Before an actual expenditure exceeds the appropriated budget, the budget should be amended. Budgets must be approved for all Special Revenue Funds.

5. COMMENT

The water and sewer billing cycle was changed without board approval. By changing the cycle, many inconsistencies were created related to amounts billed and approved billing rates.

RECOMMENDATION

Any changes in the utility billing structure should be approved by the Township Board. The Township needs to monitor this activity to ensure compliance with approved rates/guidelines.

6. COMMENT

Invoices paid by the Township should be evaluated to determine if payment should be made. An instance was noted where a prior balance was listed on a vendor statement and the total amount was paid with no detail supporting the prior purchases.

RECOMMENDATION

The Township should designate an individual(s) to review all invoices and sign the invoices to be proposed for payment by the Township Board.

This letter does not affect our report dated July 8, 2006 on the financial statements of Hartland Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Trustees, and management of Hartland Township.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants